

A Consumer Guide to Service Contracts for Electronic Equipment and Appliances

You did your homework, researching the market before buying a refrigerator, VCR or personal computer. But, just when you thought all the decisions were made, a salesperson asks if you want to purchase a service contract or extended warranty.

This consumer guide provides information about what service contracts are, types of coverage available, what you should know before you buy a service contract, and what to do if you have a problem.

WHAT SERVICE CONTRACTS ARE

Service contracts, sometimes called extended warranties or maintenance agreements, are bought separately from the product. Similar to insurance policies, these contracts ensure consumers that should something go wrong with a product, their investment is protected at a fraction of the cost of out-of-pocket repair work.

Initially, service contracts were offered and sold by the manufacturer of the product, or by the retailer who sold the product. But, because the complexity of administering an extended service plan, a growing number of retailers and manufacturers are turning to third-party firms to handle the programs. These firms are paid by retailers and manufacturers to handle the day-to-day responsibilities of managing service contracts and providing assistance to the consumer.

TYPES OF COVERAGE

Most service contracts or extended service plans fall into one of six basic types:

Date of Purchase Plans

These plans begin on the date the customer purchases the product and its extended warranty from the retailer.

Extension Plans

Extension plans extend the manufacturer's warranty for a specified period, usually 90 days to up to one year.

Major Component Programs

Also known as "primary protection" plans, these programs insure only the product's major component, such as the picture tube in a television, and generally do not include labor costs.

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*The Bureau of Electronic
and Appliance Repair
regulates service contractors
who sell service contracts for
the repair of consumer
electronic equipment and
appliances in California*

Service Contracts

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Comprehensive Programs

Comprehensive programs or plans cover all parts and labor for a specified period of time, such as one, three or five years.

Replacement Programs

Oriented toward products selling for under \$100 retail, replacement programs guarantee product replacement if the item should fail during the term of the plan.

Deductible Programs

Under deductible programs, the consumer is responsible for a certain amount of money, such as the first \$50 in repairs. Once repairs exceed that amount, the coverage becomes effective.

THINGS TO KNOW WHEN CONSIDERING A SERVICE CONTRACT

Here are some tips on what to look for when deciding whether to buy a service contract:

SHOP WISELY, BE A SMART CONSUMER

- Ask to see a copy of the contract before you purchase it.
- Compare the manufacturer's warranty (which is included in the purchase price and typically lasts 3 months to one year) with the service contract. By comparing the two, you can avoid paying for duplicate coverage.
- Keep a copy of any paperwork received, including original receipt and service contract, in a safe place.

WHAT TO LOOK FOR IN A SERVICE CONTRACT

- Is the product identified?
- Is the contract transferable to another owner?
- Is it clear when the contract begins and ends?
- Does the contract cover only certain parts or components?
- Will you have to pay any fees for service?
- Is there a limit on the number of service calls that will be covered?
- Does it cover regularly scheduled maintenance?

- Does it list the address where the product may be taken for service or a toll-free number to call?
- Is the seller's business name and address on the contract?
- Is the contract administered by a different company than the company that sold the contract?

KNOW YOUR RIGHTS

- You may cancel a contract in writing within 30 days of purchase for a full refund, minus any claims that may have been paid.
- After 30 days, you may receive a pro-rated refund.
- The seller may charge an administrative fee of \$25 or 10% of the original purchase price of the contract, whichever is less.

WHAT TO DO IF YOU HAVE A PROBLEM WITH A SERVICE CONTRACT

The Department of Consumer Affairs, through the Bureau of Electronic and Appliance Repair, regulates service contractors who sell service contracts for the repair of consumer electronics and appliances in California. The Department can fine violators or revoke or suspend their registration. The law further protects consumers by requiring that service contractors provide the service guaranteed in the service contract. An additional protection for consumers requires that service contractors provide financial backing for the service contracts issued.

If you have a problem with a service contract you have bought, try to resolve it with the contract seller or administrator, or the company performing the repairs. If you cannot resolve the problem, call the Department's Consumer Information Center toll-free at **1-800-952-5210**.

ADDITIONAL INFORMATION

The Bureau of Electronic and Appliance Repair also registers and regulates electronic and appliance repair dealers. If you would like more information about the Bureau, write or call:

**Department of Consumer Affairs
Bureau of Electronic and Appliance Repair
3485 Orange Grove Ave
North Highlands, CA 95660
916-574-2069**